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DLA Draft May 17, 2020

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FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY

SUBJECT TO FRE 408

In re Creative Hairdressers Inc.**Settlement Term Sheet**

This term sheet is entered into between the Debtors, Official Committee of Unsecured Creditors (the “Committee”) and HC Salon Holdings, Inc. as the DIP Lender and Stalking Horse Bidder (“HC Salon”):

Committee Objections and Challenge Rights	This settlement is in compromise of the Committee’s (i) right to assert object to the final entry of the order approving the Motion to Approve Debtor-in-Possession financing (the “ <u>DIP Order</u> ”) and any “Challenge” under the DIP order relating to the Prepetition Lenders or the DIP Lender, (ii) right to challenge the right of HC Salon to credit bid the full amount of its secured debt pursuant to section 363(k) of the Bankruptcy Code, and (iii) right to object to the sale of the Debtors’ assets to HC Salon. Notwithstanding the foregoing, nothing in this Term Sheet in any limits the fiduciary obligation of the Committee to approve a higher and otherwise better bid for the Debtors’ assets.
503(b)(9) Claims	Buyer will assume liability for section 503(b)(9) priority claims, up to a cap of \$25,000; provided, that Buyer reserves rights to negotiate modifications to 503(b)(9) amounts with claimants.
Wind-Down Budget	HC Salon will provide a wind-down budget of \$175,000, which amount the Committee, in consultation with the Debtors, shall utilize in furtherance of their fiduciary obligations.
Visa/ MasterCard Settlement	In the event that the proceeds of the Visa/MasterCard settlement are not received by the Debtors as of the closing of the sale to HC Salon, HC Salon shall increase its purchase price by cash in the amount of \$735,000, and shall acquire all rights to the proceeds of the Visa/MasterCard settlement.

Avoidance Actions	<p>HC Salon and the Committee shall negotiate in good faith on those Avoidance Actions that are being acquired by HC Salon pursuant to the Asset Purchase Agreement, with the understanding that HC Salon shall only acquire those Avoidance Actions that are reasonably related to those vendors, suppliers and other creditors that it anticipates doing business with following the closing of the sale. The parties shall agree upon the allocation of Avoidance Actions no later than May 22, 2020. It is agreed and understood that HC Salon will also acquire all Avoidance Actions against any landlord of the Debtors. It is further agreed that HC Salon shall covenant not to bring any Avoidance Action that it acquires pursuant to the Asset Purchase Agreement.</p>
Landlord Matters	<p>HC Salon shall provide \$200,000 to satisfy any “stub rent” claims that are asserted as administrative claims under section 503(b) of the Bankruptcy Code. To the extent that such claims are not allowed as administrative claims, this amount shall be added to the Wind Down Budget described above.</p> <p>In addition, HC Salon will covenant not to bring any avoidance action against any landlord.</p> <p>This Term Sheet is not subject to the approval of any landlord to the terms of this paragraph.</p>
Deficiency Claims	HC Salon agrees that it waives any unsecured claims.
DIP Budget	HC Salon agrees that the DIP budget shall be increased by \$50,000 for Committee professional fees.
APA Modifications	The terms of this agreement shall be set forth in and Amended Asset Purchase Agreement, which shall be filed with the Court within one (1) business day of the agreement of the parties to this Term Sheet.

ADD SIGNATURE BLOCKS